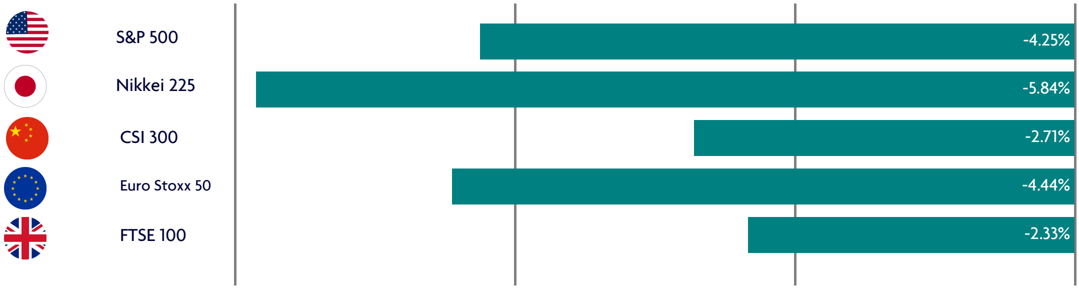
Weekly Market Update

9 September 2024

Investors and central banks have moved from a focus on inflation to a watchful eye on labour markets, and data this week showed a disappointing outlook leading to major stock markets falling during the week. All eyes are on central banks over the next few weeks, with expectations that many will begin, or continue, to cut interest rates.

Market Monitor (%): How did major stock markets perform last week?



Market Update:

UK

UK stocks also fell in line with their global counterparts, Aside from global worries, it was a fairly muted week for economic data in the UK. Retail sales and consumer spending picked up last month as warm weather boosted purchases of summer clothing and food for barbecues. The value of retail sales rose by an annual rate of 1 per cent in August, up from 0.5 per cent in the previous month. Improved spending bodes well for the UK economy in the second half of the year after output expanded faster in Britain than in any other G7 country in the first six months. In other news, UK house prices rose at the fastest annual pace since 2022, according to the lender Halifax, as lower mortgage costs helped fuel a rebound in the property market. House prices were up 0.3 per cent compared with the previous month – leading to a 4.3% annual increase, the strong growth since November 2022. The Bank of England is due to meet on 19th September, with investors expecting another interest rate cut.

US

Worries over an economic slowdown appeared to weigh on investor sentiment. Information technology shares led the declines, driven in part by a drop in NVIDIA following rumours that it may be the subject of a Justice Department antitrust investigation. Energy shares were also especially weak on the back of a decline in oil prices. Conversely, the typically defensive utilities, consumer staples, and real estate sectors held up better. Economic data broadly disappointed. Manufacturing remains in contraction territory with new orders falling for the third month in a row. Jobs data also disappointed across several measures during the week, with Friday's official payroll report showing that only 142,000 jobs were added in August, well below expectations – and July's number had been revised down to the lowest level since December 2020. This points to a slowdown in economic activity with investors now fully expecting the US central bank to cut interest rates later this month, with some speculating we may see an even bigger cut of 0.5 % points.

Europe

Markets fell sharply due to renewed fears about a deterioration in the outlook for global economic growth. Investors are expecting another interest rate cut from the European Central Bank in September, but views on what happens after that are somewhat mixed. On the data front, German manufacturing orders rose unexpectedly in July, but on the flipside, industrial production fell much more than expected. – driven by weakness in the automotive industry.

Japan

Markets slumped midweek, with semiconductor stocks tracking the sell-off led by US stocks, and the strength of the Japanese yen posing a headwind for Japan's export-oriented companies. As weak U.S. economic data raised some concerns that the world's largest economy could be headed for a recession, investors sought assets perceived as safer, driving demand for Japanese government bonds. With the labour market looking strong in Japan, expectations that the Bank of Japan will raise interest rates further this year rose, which is start contrast to other developed economies where investors are expecting interest rates to fall.

China

Investors digested weak corporate earnings and economic data. China's official manufacturing purchasing managers' index (PMI), which gives us a measure of the prevailing wind in the manufacturing sector, slipped further into contraction as production and new order declines deepened. However, a differ data set suggested that export-oriented companies are faring slight better. The services sector gave mixed results which overall is showing uneven performance of China's economy. Furthermore, the housing market slump and rising trade tensions have weighed further on the outlook for economic growth.

The Omnis Investment Club

To hear more about these topics, please search for "The Omnis Investment Club Podcast" on your podcast player.

Omnisinvestments.com